

**Transcript of Remarks by Senate Budget Committee Chairman Kent Conrad  
Hearing on the President's Fiscal Year 2003 Defense Budget Request  
February 13, 2002**

*Opening Statement*

As we meet here today, we first have to acknowledge the circumstances that we confront as a nation. Obviously, everything changed after the sneak attack on this country of September 11<sup>th</sup>. That altered in a very dramatic way the priorities of the Congress and the President. We also have an obligation to talk about our long term economic security.

And this first chart shows the President's budget as his budget numbers describe, and they show that we're going to be in deficit if we exclude the trust funds through this entire decade. And that we will be using \$2 trillion of trust fund money to pay for tax cuts and other spending. We're doing that right at the time the baby boom generation is getting ready to start retiring. They will begin retiring in just six years. And so we have to have these fundamental facts inform the decisions of the Committee.

The implications of this dramatic turnabout in our budget circumstances are these. Last year, we were told we had \$2.7 trillion of non trust fund surpluses over the next decade. Now we are told by the Congressional Budget Office we have \$2.2 trillion of deficits when we put aside the trust funds of Social Security and Medicare. That means every dime of that deficit is coming out of the trust funds of Social Security and Medicare -- \$2.2 trillion taken from those funds over the next decade. Obviously, that has major implications for the country.

When we look to the President's budget, and when we look at the priorities, the funding over baseline -- the baseline is last year's spending amount adjusted for inflation, adjusted for the number of people eligible for the various programs -- what we see is the biggest income goes to homeland security, some 23 percent over the baseline. Defense is 10 percent over the baseline. Let me make clear defense is increased more than that over last year's spending, but the baseline adjusts last year's spending for inflation, so this is the amount over the baseline. And international affairs has a slight increase over the baseline. All other domestic programs are reduced six percent.

Let's go to the next chart which shows the billions of dollars -- again, this is over the baseline -- homeland security is \$5 billion over the baseline; defense \$36 billion; international affairs \$400 million; everything else is being reduced by \$23 billion from the baseline.

Now this looks at it in dollar terms -- not in relationship to the baseline -- this look at it in dollar terms; and we've got the request from the President for \$48 billion over last year. Ten billion of that is inflation; \$5 billion is the change to an accrual system, moving from mandatory accounts to discretionary accounts retirement costs for those working in defense; there's a \$10 billion contingency fund; and \$23 billion of what we would call new spending.

We do not have a supplemental for 2002 from the President. This is one of the curious

elements of his budget. There is no supplemental before us for 2002. There is for 2003, but not for 2002, and perhaps we can inquire about that today.

Putting in perspective of what we spend on defense, the President's request is a total of \$396 billion, and if we look at that in comparison to the other major nations in the world, what we see is that we're spending more than the next 18 combined. We're spending more than Russia, Japan, China and the next 15 combined. So we are making a very substantial commitment to national defense.

Over the 10 years, we see the President requesting, over and above the baseline, \$656 billion of additional spending for defense. This is an extraordinary buildup that puts us back to Cold War levels of spending. And we're going to have to consider very closely about how that all fits in with the need and commitment not to take Social Security funds for other purposes. We're going to have to consider the other priorities of the nation, the tax cuts that have been previously passed.

Let me just go to a statement that was made by the former Vice Chairman of the Joint Chiefs of Staff, Admiral Owens, on February 4 of this year when he said, "Return to the defense spending heights of the mid-1980s is not necessary to win the war on terrorism or to transform our armed forces. In fact, it could be quite counterproductive. Availability of such large sums of money will reduce incentives to eliminate costly redundancies in our force structure 'tooth,' but particularly in the 'tail' of defense bureaucracy and support organizations. The truth is that we already have all the money for defense we need, so long as we undertake real reform and spend it better." Well, that's the view of the former Vice Chairman of the Joint Chiefs of Staff who has testified before this Committee previously and somebody that I think all of us respect. He is a military leader who had a significant impact on the transformation that our military forces are underway.

With that Mr. Secretary and Comptroller Zakheim, thank you very much for being here. I especially want to thank you for your patience this morning and will return to you now for your statements and then go to questions. Again, welcome to the Committee. And before you start, I'd just like to thank you on behalf of all Americans for what has to have been an extraordinary period. Since the Pentagon itself was attacked, since we lost lives there, since the extraordinary decisions that have had to have been made, we appreciate your service to the country, and we thank you on behalf of all Americans for what you have done.

### Closing Statement

Let me just say this to you. We're together and no adversary should doubt Congress stands shoulder to shoulder with the President and this administration on this question of combating terrorism. I hope it is very, very clear that we are going to provide the resources necessary to defend this nation. At the same time, we have an obligation, and you have an obligation, the administration has an obligation to use the funds entrusted to us carefully.

And when I look at the out year effect of the President's request, as we look at it, the

President is asking for, when inflation is considered, the largest amount of money in the year 2012 for defense that we've had in any year in 50 years, with the exception of 1985. That's a lot of money and I think we're going to have to, as a body, look very carefully at the long-term impact of what's being recommended.

But I want to make it very clear to anyone who is listening, we are going to stand very clearly with this President, and this administration in prosecuting this war against terror. Let there be no doubt that the resources to defend this nation are going to be provided by this Congress, and certainly by this Committee. Again, we thank you.